

# News Release



***Controller of the State of California - Kathleen Connell***

**300 Capitol Mall, Suite 1850**

**Sacramento, California 95814**

**Contact: Lisa Casalegno (916) 445-2636**

**FOR IMMEDIATE RELEASE**

## **STATE CONTROLLER KATHLEEN CONNELL WARNS LONG-TERM ENERGY CONTRACTS MAKE REPAYMENT OF GENERAL FUND LAST PRIORITY**

### **CONTROLLER QUESTIONS CONTRACT LANGUAGE AND SEEKS CLARIFICATION**

Sacramento, May 23, 2001 – State Controller Kathleen Connell today voiced concerns that the repayment of the general fund would not likely begin until sometime in 2004, if the language in long-term energy contracts negotiated by the Administration were carried out.

The Controller sought clarification from lawmakers to assure that proceeds from energy bond sale would indeed be used to repay taxpayer funds that have been used to buy power.

"If the general fund is not repaid in a timely fashion, it puts a tremendous burden on Californians, first as taxpayers and second as ratepayers," Connell warned.

Connell's concern stems from language in the long-term energy contracts reviewed by the Controller's office that gives the general fund the lowest priority in disbursement of energy bond revenues. Connell was further troubled by ambiguous language in the legislation approving the energy bond sale that fails to provide any clarification on spending of bond revenues.

A review of 16 long-term energy contracts forwarded to the Controller's office shows the Administration has agreed to terms that would pay future energy expenses before repaying the general fund.

SBX1 31 (Burton), which was signed into law May 10, does not state that repayment of the general fund is a *first* priority and only provides that repayment "*shall be made as soon as practicable.*"

"After reviewing the ambiguous language in the legislation authorizing the \$13.4 billion bond issue and the long-term energy contracts negotiated by the Administration, I was deeply concerned that there is no language to assure repayment of the general fund. In fact, the language gives all other energy expenses priority over repayment of the general fund," Connell said.

In a meeting today with Senator John Burton and Assembly Speaker Bob Hertzberg, the Controller was assured that the legislative intent is in the best interests of Californians. She told the lawmakers she would use the bond proceeds to repay the \$7 billion in energy purchases committed to be paid from the general fund. She also indicated she believes the legislature should have access to the long-term energy contracts, which are being kept confidential by the Administration.

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“Californians have been led to believe that the bond sale is necessary to repay the taxpayer funds that have been borrowed from the general fund to buy power. However, it’s clear that the long-term energy contracts place the financial interests of energy companies above those of the taxpayers,” said Connell.

The long-term energy contracts specify payments from the state’s energy fund are to be made according to the following priorities: long-term energy contracts; current and future spot market purchases; debt-service payments; and repayments to the general fund.

In light of this exposure to the general fund and therefore to taxpayers, Connell requested an opinion from California Attorney General Bill Lockyer on the language in the long-term energy contracts.

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